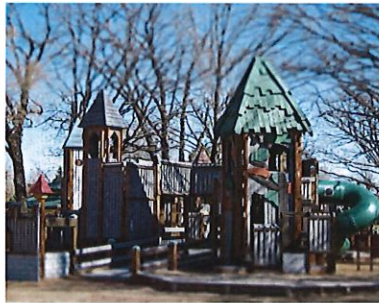


COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended September 30, 2016



The City of Canton
201 N. Buffalo
(P) 903.567.2826 | www.cantontx.gov

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

City of Canton, Texas

**For the Year Ended
September 30, 2016**

Prepared by the Finance Department

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City of Canton, Texas

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September 30, 2016

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INTRODUCTORY SECTION

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Lou Ann Everett, Mayor
Shawn R. Stewart, Mayor Pro Tem
Cindy Malouf, City Council
Nathan Moore, City Council
Connie Odic, City Council
Scott Perkins, City Council
Lonny Cluck, City Manager

201 N. Buffalo
Canton, Texas 75103

City of Canton

Administration - 903.567.1841
Water Dept. - 903.567.2826
First Monday - 903.567.6556

April 17, 2017

Honorable Mayor and City Council
City of Canton
Canton, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report ("CAFR") of the City of Canton, Texas, for the year ended September 30, 2016, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BrooksCardiel, PLLC has issued an unmodified opinion on the City of Canton, Texas' financial statements for the year ended September 30, 2016. The Independent Auditor's Report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to complement Management's Discussion and "Analysis (MD&A)" and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report and provides a narrative introduction, overview and analysis of the basic financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

Canton, Texas, is a commercial center built on tourism, retail, agricultural, light manufacturing, and governmental activity. Given Canton's pro-business attitude, the City continues to prosper economically. Highlights include:

Canton is home to the "World Famous" First Monday Trade Days, the largest flea market in the nation, which has provided economic benefits to the City since its opening over one hundred fifty years ago. In the mid-1960's, the operations were organized and managed by the City of Canton which generated direct rental revenue and indirect sales tax revenue. Since that time, additional private First Monday properties have developed. The City continues to receive a steady revenue stream from its First Monday operations directly and sales tax revenue has continued to increase steadily.

Canton is also a Texas and National Main Street City and Certified Retirement Community by the State of Texas. As the county seat of Van Zandt County, the vital downtown district of Canton is centered around the Courthouse. The district features the Plaza Museum, shops, eateries and professional service type businesses. The community is qualified and marketed as a retirement community with many quality-of-life features desirable to retirees include those mentioned

**Home of the World Famous First Monday Trade Days
Begins Thursday Before Each First Monday**

above. The City of Canton offers many services and amenities for families and features of small town living for its residents.

MAJOR INITIATIVES

In FY 2015-2016, several commercial developments affecting the City's economic outlook were initiated and/or completed, including the opening of a new pediatrics clinic, a Schlotzky's Sandwich Shop, a new Taco Bell restaurant. Several existing restaurants also moved into larger facilities.

During the fiscal year, the City looked for continued funding from grants and the economic development sales tax. This funding allowed the completion of a sidewalk renovation downtown, removal of the architectural barriers at the existing City Hall building and the purchase of a new PA/Siren system for the First Monday grounds. The City also made tremendous strides in completing the Mill Creek Lake Park and City Lake Park Trails. The City also began building its new City Hall in the heart of downtown, constructed a new cell tower to improve communications, and finished the preservation of the historic water tower.

In 2016-2017, increased economic development is expected to continue with the widening of Highway 243 from Highway 64 to Highway 198 by TxDOT, a new sidewalk project downtown on Highway 64. The City also plans on beginning major street improvements projects this year which will include the relocation and replacement of utilities. The City will be expanding Trade Center IV to include a new restroom and food court on the City's First Monday property. The City also plans to proceed with Phase III of the South Outfall project to replace the sewer lines along Highway 243 from the Industrial Park to Highway 19. It is also looking to expand its CCN so more businesses can have access to City water if they annex into the City.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City department. Budgets are reviewed by the Council. The City Manager makes final decisions and submits a recommended budget to the City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the Mayor, City Manager, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

General Governmental Functions

Tax Rates: All eligible property within the City is subject to assessment, levy and collection by the City a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding debt within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history, as adopted by the City Council, is shown below:

<u>Fiscal Year</u>	<u>Tax Rate</u>
2011-2011	.425230
2011-2012	.425230
2012-2013	.425230
2013-2014	.420332
2014-2015	.420332
2015-2016	.420332
2016-2017	.420332

OTHER INFORMATION

Independent Audit: The City of Canton has engaged the firm of BrooksCardiel, CPAs, PLLC to perform the annual audit and their opinion has been included in this report. IT should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally-accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City as of September 30, 2016, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements: Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Accounting Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Lonny Cluck, City Manager

Lisette Williams, Finance Director

CITY OF CANTON, TEXAS
OFFICIALS AND ADMINISTRATIVE STAFF
For the Fiscal Year ended September 30, 2016

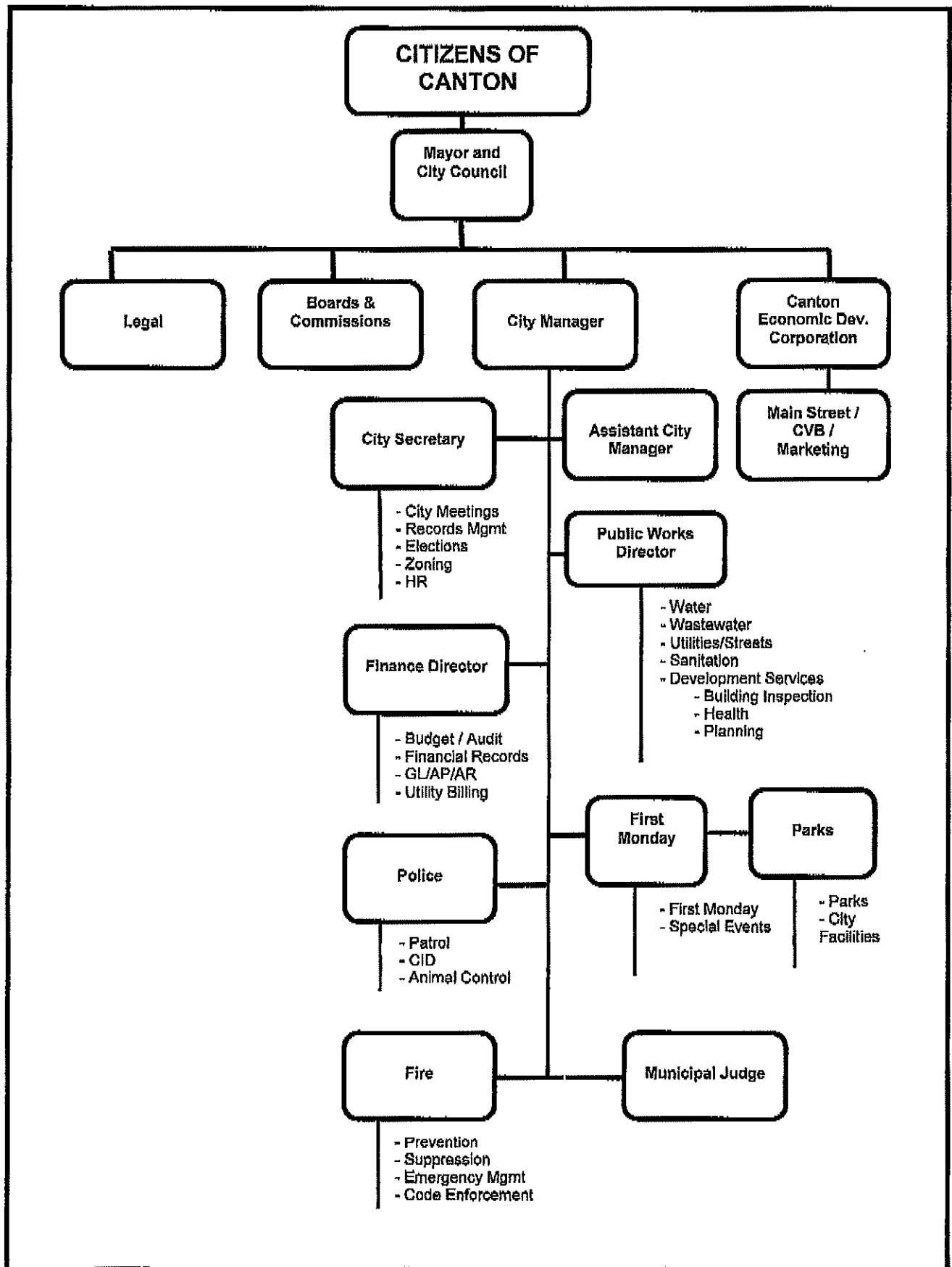
Council Members

Lou Ann Everett, Mayor
Shawn R. Stewart, Mayor Pro Tem
Nathan Moore
Connie Odic
Cindy Malouf
Scott Perkins

Administrative Staff

Lonny Cluck, City Manager
Andy Wolfe, Assistant City Manager
Debra Johnson, City Secretary
Kimberly Kroha, Finance Director
Bud Sanford, Fire Chief
Brad Allison, Police Chief
Lilia Durham, Municipal Court Judge

CITY OF CANTON ORGANIZATIONAL CHART



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Canton, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canton, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Canton, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of an Error

As disclosed in Note V.H., in the year ending September 30, 2016, the City restated its net position and fund balances as of September 30, 2015 to correct errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employee contributions to pension plan, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, individual budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual budgetary comparison schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Brooks Cardiel, PLLC". The signature is written in a cursive, flowing style.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
April 17, 2017

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*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2016

As management of the City of Canton, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2016 by \$36,161,134. Of this amount, \$7,393,030 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,475,319 since September 30, 2015. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$4,346,974 at September 30, 2016, a decrease of \$509,761 from the prior fiscal year; this includes an increase of \$125,340 in the general fund, an increase of \$12,727 in the debt service fund, and a decrease of \$647,828 in the capital improvements fund.
- At the end of the fiscal period, unassigned fund balance for the general fund was \$2,750,305 or 51% of total annualized general fund expenditures.
- The total debt payable at the close of the fiscal year was approximately \$6,549,000.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (police, fire, EMS); municipal court; and elected officials. The business-type activities of the City include water, wastewater, solid waste, and First Monday Trade Days operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Canton Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24 through 29 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital improvements funds. The general fund and debt service fund are considered to be major funds and the capital improvements fund is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for all government and enterprise funds. A budgetary comparison statement/schedule has been provided for the governmental funds to demonstrate compliance with their budget.

The basic governmental fund financial statements can be found on pages 30 through 33 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water / sewer, sanitation, and First Monday operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water / sewer, sanitation, and First Monday funds since they are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 36 through 43 of this report.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Canton Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 45 through 77 of this report.

City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund. Required supplementary information can be found on page 80 through 87 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Canton, assets exceed liabilities by \$36,161,134 as of September 30, 2016, in the primary government.

The largest portion of the City's net position, \$27,504,396, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,393,030 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current and other assets of governmental activities were \$4,596,628 and \$5,397,352 as of September 30, 2016 and September 30, 2015, respectively. The decrease of \$800,724 or 15% was due primarily to a decrease in cash on hand due to the significant debt proceeds received in the prior year. Current and other assets of business-type activities were \$7,102,022 and \$7,875,496 as of September 30, 2016 and September 30, 2015, respectively. The decrease of \$773,474 or 10% was due to capital additions during the year.

Other liabilities of governmental activities were \$229,177 and \$531,371 as of September 30, 2016 and September 30, 2015, respectively. The decrease of \$302,194 or 57% was primarily due to the decline in amounts owed at the end of the current year to various equipment and construction vendors for the City's construction of a new city hall. The construction of the new city hall was completed in the current year. Similar payables were outstanding at the end of the prior year. The net pension liability for governmental activities and business-type activities increased significantly from the prior year primarily as a result of the lack of investment income on pension assets during the year.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Statement of Net Position:

The following table reflects the condensed Statement of Net Position as of September 30:

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 4,596,628	\$ 7,102,022	\$ 11,698,650	\$ 5,397,352	\$ 7,875,496	\$ 13,272,848
Capital assets, net	13,827,993	19,411,974	33,239,967	11,985,734	18,711,665	30,697,399
Total Assets	18,424,621	26,513,996	44,938,617	17,383,086	26,587,161	43,970,247
Deferred outflows of resources	553,654	292,589	846,243	194,302	94,936	289,238
Other liabilities	229,177	430,683	659,860	531,371	313,547	844,918
Net pension liability	1,313,307	672,336	1,985,643	814,339	397,890	1,212,229
Long-term liabilities	2,644,905	4,314,069	6,958,974	2,742,814	4,666,277	7,409,091
Total Liabilities	4,187,389	5,417,088	9,604,477	4,088,524	5,377,714	9,466,238
Deferred inflows of resources	15,279	3,970	19,249	72,170	35,262	107,432
Net Position:						
Net investment in capital assets	11,773,742	15,730,654	27,504,396	10,460,628	15,399,638	25,860,266
Restricted	1,263,708	-	1,263,708	1,253,208	-	1,253,208
Unrestricted	1,738,157	5,654,873	7,393,030	1,702,858	5,869,483	7,572,341
Total Net Position	\$ 14,775,607	\$ 21,385,527	\$ 36,161,134	\$ 13,416,694	\$ 21,269,121	\$ 34,685,815

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Statement of Activities:

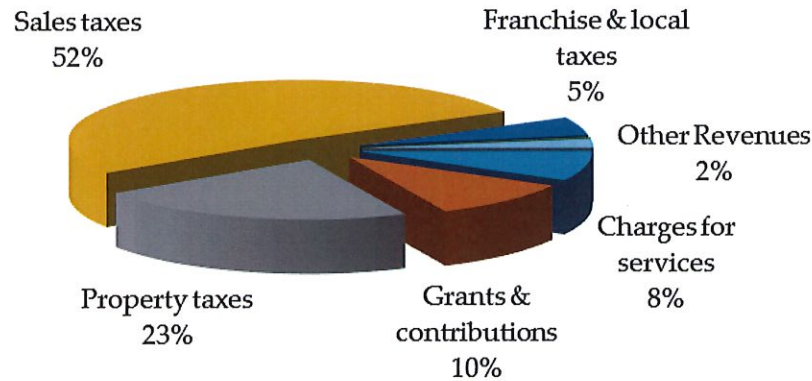
The following table provides a summary of the City's changes in net position over the last two years:

	September 30, 2016			September 30, 2015		
	Government	Business	Total	Government	Business	Total
	Activities	Type	Primary	Activities	Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenues						
Program revenues:						
Charges for services	\$ 411,382	\$ 5,545,076	\$ 5,956,458	\$ 454,612	\$ 5,504,448	\$ 5,959,060
Grants & contributions	523,675	96,236	619,911	65,763	128,127	193,890
General revenues:						
Property taxes	1,161,988	-	1,161,988	1,140,729	-	1,140,729
Sales taxes	2,655,170	-	2,655,170	2,561,510	-	2,561,510
Franchise & local taxes	257,795	-	257,795	333,923	-	333,923
Investment income	9,949	6,573	16,522	9,089	3,078	12,167
Other revenues	126,356	17,812	144,168	60,279	31,096	91,375
Total Revenues	5,146,315	5,665,697	10,812,012	4,625,905	5,666,749	10,292,654
Expenses						
General government	1,298,933	-	1,298,933	1,060,061	-	1,060,061
Public safety	2,092,032	-	2,092,032	2,034,074	-	2,034,074
Parks and recreation	377,795	-	377,795	315,011	-	315,011
Public works	738,580	-	738,580	691,552	-	691,552
Interest on debt	62,933	-	62,933	103,570	-	103,570
Water/Sewer	-	2,360,135	2,360,135	-	1,821,449	1,821,449
Sanitation	-	557,573	557,573	-	566,184	566,184
First Monday	-	1,848,712	1,848,712	-	1,828,623	1,828,623
Total Expenses	4,570,273	4,766,420	9,336,693	4,204,268	4,216,256	8,420,524
Change in Net Position						
Before Transfers	576,042	899,277	1,475,319	421,637	1,450,493	1,872,130
Transfers	782,871	(782,871)	-	211,993	(211,993)	-
Total	782,871	(782,871)	-	211,993	(211,993)	-
Change in Net Position	1,358,913	116,406	1,475,319	633,630	1,238,500	1,872,130
Beginning Net Position	13,416,694	21,269,121	34,685,815	12,783,064	20,030,621	32,813,685
Ending Net Position	\$ 14,775,607	\$ 21,385,527	\$ 36,161,134	\$ 13,416,694	\$ 21,269,121	\$ 34,685,815

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

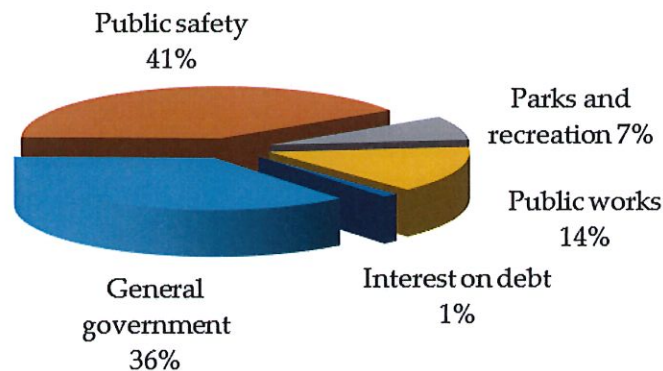
Governmental Activities - Revenues



For the year ended September 30, 2016, revenues from governmental activities totaled \$5,146,315. Sales tax and property taxes are the City's largest revenue sources. Sales tax and property taxes remained relatively consistent in comparison to the prior year. Grant and contribution revenue increased by \$457,912 as a result of the grant proceeds that were received for various city improvement projects during the year. These types of grants were not received in the prior year. Other revenues increased by \$66,077 or 110%. This increase primarily relates to significant insurance reimbursements received in the current year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

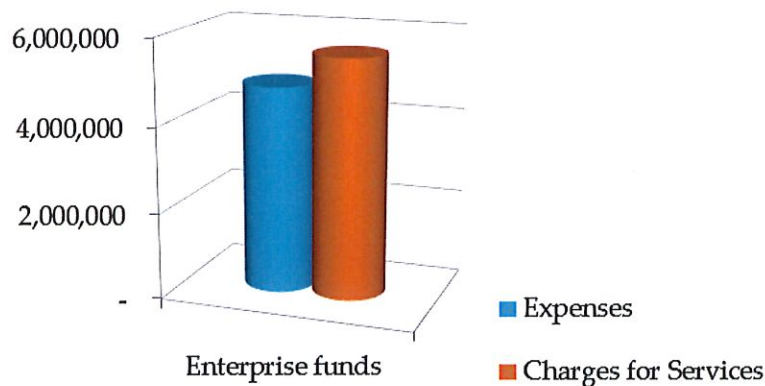


For the year ended September 30, 2016, expenses for governmental activities totaled \$4,570,273. This represents an increase of \$366,005 or 9% from the year ended September 30, 2015. General government, parks and recreation, and public works had increases of \$238,872, \$62,784, and \$47,028, respectively. These increases were primarily due to increases in payroll, pension expenses, healthcare, and professional fees.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2016

Business-type activities are shown comparing operating costs to revenues generated by related services.

**Business-Type Activities - Revenues
and Expenses**



For the year ended September 30, 2016, charges for services by business-type activities totaled \$5,545,076. This is an increase of \$40,628 or 1% from the year ended September 30, 2015.

Total expenses increased \$550,164 or 13% when compared to the year ended September 30, 2015. Water/Sewer expenses increased by \$538,686 or 30%. This increase was primarily due to increases in payroll, retirement and depreciation expenses. Sanitation expenses decreased by \$8,611 or 2%, which is consistent with the prior year. First Monday expenses increased by \$20,089 or 1%. The increase is primarily due increases in maintenance, interest, and payroll expenses in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the period.

As of the end of the year the general fund reflected a fund balance of \$2,833,337. Of this, \$83,032 is restricted use. Unassigned fund balance in the general fund totaled \$2,750,305.

There was a decrease in governmental fund balance of \$509,761 from the prior period due to expenditures for capital projects during the year.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2016

The debt service fund had an increase in fund balance of \$12,727. The increase was due to property tax revenue exceeding total expenditures during the year.

The capital improvements fund had a decrease in fund balance of \$647,828. The decrease is a result of the lack of revenues generated and capital outlay expenditures incurred in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted general fund revenues were less than actual revenues by \$183,090 during the 2016 fiscal year. Actual general fund revenues exceeded budgeted revenues primarily due to sales tax revenues exceeding expectations by \$255,170.

Total expenditures were greater than budgeted amounts by \$32,817 for the year. This is due to a combination of budgets exceeding actual expenditures for general government, animal control, grants, and capital outlay.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$13,827,993 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$19,411,974 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current period include the following:

- Construction costs for new city hall for \$771,050.
- Construction costs for cell tower of \$130,263.
- Additions and improvements to park trails for \$146,212.
- Four new sirens and PA system for \$181,658.
- Purchase of new fire engine for \$466,202.
- Additions for development and renovations of new police department building for \$162,925.
- Painting expenses for downtown water tower amounting to \$151,265.
- Construction of new trade center addition for First Monday amounting to \$1,034,972.
- Water main line improvements for \$258,053.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2016

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and notes payable outstanding of \$6,549,000.

More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Canton and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Canton's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, P.O. Box 245, Canton, Texas 75103.

FINANCIAL STATEMENTS

City of Canton, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 4,011,378	\$ 4,219,653	\$ 8,231,031
Restricted cash	-	-	-
Receivables, net	585,250	353,928	939,178
Notes receivable, current portion	-	-	-
Note receivable from component unit - current	-	148,440	148,440
Total Current Assets	<u>4,596,628</u>	<u>4,722,021</u>	<u>9,318,649</u>
Noncurrent assets:			
Note receivable from component unit, net	-	2,380,001	2,380,001
Notes receivable, net of allowance and current	-	-	-
Capital assets:			
Non-depreciable	4,241,393	2,181,651	6,423,044
Net depreciable capital assets	9,586,600	17,230,323	26,816,923
	<u>13,827,993</u>	<u>21,791,975</u>	<u>35,619,968</u>
Total Assets	<u>18,424,621</u>	<u>26,513,996</u>	<u>44,938,617</u>
<u>Deferred Outflows of Resources</u>			
Pension contributions	154,182	75,613	229,795
Pension assumptions	115,426	63,487	178,913
Pension investment earnings	284,046	153,489	437,535
Total Deferred Outflows of Resources	<u>\$ 553,654</u>	<u>\$ 292,589</u>	<u>\$ 846,243</u>

See Notes to Financial Statements.

Component Unit

CEDC

\$	1,061,198
	50,000
	196,277
	10,265
	-
	<u>1,317,740</u>
	-
	37,343
	1,178,958
	<u>80,569</u>
	<u>1,296,870</u>
	<u>2,614,610</u>
	-
	-
	-
\$	<u>-</u>

City of Canton, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 216,943	\$ 403,064	\$ 620,007
Accrued interest payable	12,234	27,619	39,853
Note payable to primary government - current	-	-	-
Due within one year	798,629	509,328	1,307,957
Total Current Liabilities	1,027,806	940,011	1,967,817
Noncurrent liabilities:			
Note payable to primary government, net	-	-	-
Net pension liability	1,313,307	672,336	1,985,643
Due in more than one year	1,846,276	3,804,741	5,651,017
	3,159,583	4,477,077	7,636,660
Total Liabilities	4,187,389	5,417,088	9,604,477
<u>Deferred Inflows of Resources</u>			
Pension - difference in experience	15,279	3,970	19,249
Total Deferred Inflows of Resources	15,279	3,970	19,249
<u>Net Position</u>			
Net investment in capital assets	11,773,742	15,730,654	27,504,396
Restricted for:			
Public safety	34,382	-	34,382
Capital projects	-	-	-
Municipal court	48,650	-	48,650
Debt service	1,180,676	-	1,180,676
Unrestricted	1,738,157	5,654,873	7,393,030
Total Net Position	\$ 14,775,607	\$ 21,385,527	\$ 36,161,134

See Notes to Financial Statements.

Component Unit

CEDC

\$	9,991
	-
	148,440
	53,890
	<u>212,321</u>
	2,380,001
	-
	-
	<u>2,380,001</u>
	<u>2,592,322</u>
	-
	-
	1,259,527
	-
	50,000
	-
	-
	<u>(1,287,239)</u>
\$	<u>22,288</u>

City of Canton, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Special Events	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General government	\$ 1,298,933	\$ 220,550	\$ 514,828	\$ -	\$ 796
Public safety	2,092,032	190,832	5,176	-	-
Public works	738,580	-	-	-	-
Parks and recreation	377,795	-	2,875	-	-
Interest on long term debt	62,933	-	-	-	-
Total Governmental Activities	<u>4,570,273</u>	<u>411,382</u>	<u>522,879</u>	<u>-</u>	<u>796</u>
Business-Type Activities					
Water and sewer	2,360,135	1,965,918	-	-	96,236
Sanitation	557,573	536,453	-	-	-
First Monday	1,848,712	3,042,705	-	-	-
Total Business-Type Activities	<u>4,766,420</u>	<u>5,545,076</u>	<u>-</u>	<u>-</u>	<u>96,236</u>
Total Primary Government	<u>\$ 9,336,693</u>	<u>\$ 5,956,458</u>	<u>\$ 522,879</u>	<u>\$ -</u>	<u>\$ 97,032</u>
 Component Unit					
CEDC	<u>\$ 850,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,260</u>	<u>\$ -</u>

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise and local taxes
 Investment income
 Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position (Deficit)

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	CEDC
\$ (562,759)	\$ -	\$ (562,759)	
(1,896,024)	-	(1,896,024)	
(738,580)	-	(738,580)	
(374,920)	-	(374,920)	
(62,933)	-	(62,933)	
(3,635,216)	-	(3,635,216)	
-	(297,981)	(297,981)	
-	(21,120)	(21,120)	
-	1,193,993	1,193,993	
-	874,892	874,892	
(3,635,216)	874,892	(2,760,324)	
			\$ (810,005)
1,161,988	-	1,161,988	-
2,655,170	-	2,655,170	888,352
257,795	-	257,795	236,305
9,949	6,573	16,522	2,040
126,356	17,812	144,168	91,642
782,871	(782,871)	-	-
4,994,129	(758,486)	4,235,643	1,218,339
1,358,913	116,406	1,475,319	408,334
13,416,694	21,269,121	34,685,815	(386,046)
\$ 14,775,607	\$ 21,385,527	\$ 36,161,134	\$ 22,288

City of Canton, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2016

	General	Debt Service	Capital Improvements	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 2,486,770	\$ 1,180,676	\$ 343,932	\$ 4,011,378
Receivables, net	563,371	21,879	-	585,250
Total Assets	\$ 3,050,141	\$ 1,202,555	\$ 343,932	\$ 4,596,628
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 205,972	\$ -	\$ 10,971	\$ 216,943
Total Liabilities	205,972	-	10,971	216,943
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	10,832	21,879	-	32,711
<u>Fund Balances</u>				
Restricted for:				
Capital projects	-	-	332,961	332,961
Public safety	34,382	-	-	34,382
Municipal court	48,650	-	-	48,650
Debt service	-	1,180,676	-	1,180,676
Unassigned reported in:				
General fund	2,750,305	-	-	2,750,305
Total Fund Balances	2,833,337	1,180,676	332,961	4,346,974
Total Liabilities and Fund Balances	\$ 3,050,141	\$ 1,202,555	\$ 343,932	\$ 4,596,628

See Notes to Financial Statements.

City of Canton, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS September 30, 2016

Fund Balances - Total Governmental Funds	\$ 4,346,974
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	4,241,393
Capital assets - net depreciable	9,586,600
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	32,711
Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.	
Pension contributions	154,182
Pension investment earnings	284,046
Pension assumptions	115,426
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time	
Pension - difference in experience	(15,279)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Compensated absences	(257,695)
Accrued interest	(12,234)
Discounts on debt	4,629
Non-current liabilities due in one year	(566,703)
Non-current liabilities due in more than one year	(1,825,136)
Net pension obligation	(1,313,307)
Net Position of Governmental Activities	\$ 14,775,607

See Notes to Financial Statements.

City of Canton, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2016

	General	Debt Service	Capital Improvements	Total Governmental Funds
<u>Revenues</u>				
Property tax	\$ 470,278	\$ 690,372	\$ -	\$ 1,160,650
Sales tax	2,655,170	-	-	2,655,170
Franchise and local taxes	257,795	-	-	257,795
License and permits	81,231	-	-	81,231
Grant revenues	522,265	-	-	522,265
Donations	1,410	-	-	1,410
Fines and forfeitures	190,832	-	-	190,832
Investment income	3,259	6,690	-	9,949
Charges for services	70,950	-	-	70,950
Rental income	68,369	-	-	68,369
Other revenue	1,777	-	-	1,777
Total Revenues	4,323,336	697,062	-	5,020,398
<u>Expenditures</u>				
Current:				
General government	966,915	1,691	-	968,606
Developmental services	98,627	-	-	98,627
Police	1,242,264	-	-	1,242,264
Animal control	158,291	-	-	158,291
Municipal court	188,324	-	-	188,324
Fire	463,293	-	-	463,293
Streets	320,129	-	-	320,129
Parks	343,569	-	-	343,569
Grant & donation projects	611,576	-	-	611,576
Debt service				
Principal	-	497,910	-	497,910
Interest	350	72,251	-	72,601
Capital outlay	966,047	-	885,372	1,851,419
Total Expenditures	5,359,385	571,852	885,372	6,816,609
Excess of Revenues Over (Under) Expenditures	\$ (1,036,049)	\$ 125,210	\$ (885,372)	\$ (1,796,211)

See Notes to Financial Statements.

City of Canton, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2016

		Debt	Capital	Total
<u>Other Financing Sources (Uses)</u>	<u>General</u>	<u>Service</u>	<u>Improvements</u>	<u>Governmental Funds</u>
Sale of capital asset	\$ 7,125	\$ -	\$ -	\$ 7,125
Insurance recoveries	117,454	-	-	117,454
Loan proceeds	379,000	-	-	379,000
Transfers in	759,747	-	237,544	997,291
Transfers (out)	(101,937)	(112,483)	-	(214,420)
Other Financing Sources (Uses)	1,161,389	(112,483)	237,544	1,286,450
Net Change in Fund Balances	125,340	12,727	(647,828)	(509,761)
Beginning fund balances	2,707,997	1,167,949	980,789	4,856,735
Ending Fund Balances	\$ 2,833,337	\$ 1,180,676	\$ 332,961	\$ 4,346,974

See Notes to Financial Statements.

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City of Canton, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (509,761)
---	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,395,632
Depreciation expense	(553,373)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,338
--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(82,725)
Compensated absences	(20,776)
Accrued interest	9,893

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of premium	(225)
Debt issued	(379,000)
Principal payments	497,910

	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;"> Change in Net Position of Governmental Activities </div>
	\$ 1,358,913

See Notes to Financial Statements.

City of Canton, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 1,766,348	\$ 98,106	\$ 2,355,199
Receivables, net	289,785	64,143	-
Note receivable from component unit	148,440	-	-
Total Current Assets	<u>2,204,573</u>	<u>162,249</u>	<u>2,355,199</u>
<u>Noncurrent Assets</u>			
Note receivable from component unit	2,380,001	-	-
Capital assets:			
Non-depreciable	743,548	-	1,438,103
Net depreciable capital assets	14,188,919	898	3,040,506
Total Noncurrent Assets	<u>17,312,468</u>	<u>898</u>	<u>4,478,609</u>
Total Assets	<u>19,517,041</u>	<u>163,147</u>	<u>6,833,808</u>
<u>Deferred Outflows of Resources</u>			
Pension contributions	45,062	3,046	27,505
Pension assumptions	38,425	2,077	22,985
Pension investment earnings	92,689	5,193	55,607
Total Deferred Outflows of Resources	<u>176,176</u>	<u>10,316</u>	<u>106,097</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	146,577	45,029	211,458
Accrued interest	27,619	-	-
Long-term liabilities - due in one year	423,210	-	86,118
Total Current Liabilities	<u>597,406</u>	<u>45,029</u>	<u>297,576</u>
<u>Noncurrent Liabilities</u>			
Net pension liability	403,103	25,113	244,120
Due in more than one year	2,650,611	-	1,154,130
Total Liabilities	<u>3,651,120</u>	<u>70,142</u>	<u>1,695,826</u>
<u>Deferred Inflows of Resources</u>			
Pension - difference in experience	2,064	406	1,500
Total Deferred Inflows of Resources	<u>2,064</u>	<u>406</u>	<u>1,500</u>
<u>Net Position</u>			
Net investment in capital assets	12,036,973	898	3,692,783
Unrestricted	4,003,060	102,017	1,549,796
Total Net Position	<u>\$ 16,040,033</u>	<u>\$ 102,915</u>	<u>\$ 5,242,579</u>

See Notes to Financial Statements.

<u>Total</u>	
\$	4,219,653
	353,928
	148,440
	<u>4,722,021</u>
	2,380,001
	2,181,651
	<u>17,230,323</u>
	<u>21,791,975</u>
	<u>26,513,996</u>
	75,613
	63,487
	<u>153,489</u>
	<u>292,589</u>
	403,064
	27,619
	<u>509,328</u>
	<u>940,011</u>
	672,336
	<u>3,804,741</u>
	<u>5,417,088</u>
	3,970
	<u>3,970</u>
	15,730,654
	5,654,873
\$	<u><u>21,385,527</u></u>

City of Canton, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	Water & Sewer	Sanitation	First Monday
<u>Operating Revenues</u>			
Charges for services	\$ 1,965,918	\$ 536,453	\$ 3,042,705
Total Operating Revenues	1,965,918	536,453	3,042,705
<u>Operating Expenses</u>			
Cost of sales	1,565,732	555,778	1,466,737
Depreciation	694,084	1,795	308,657
Other	1,200	-	75,023
Total Operating Expenses	2,261,016	557,573	1,850,417
Operating Income (Loss)	(295,098)	(21,120)	1,192,288
<u>Nonoperating Revenues (Expenses)</u>			
Other revenues	-		17,812
Investment income	2,308	-	4,265
Intergovernmental	96,236	-	-
Gain on sale of property	3,048	-	22,395
Interest expense	(102,167)	-	(20,690)
Total Nonoperating Revenues (Expenses)	(575)	-	23,782
Income (Loss) Before Transfers	(295,673)	(21,120)	1,216,070
Transfers in	689,633		64,726
Transfers (out)	(240,139)	-	(1,297,091)
	449,494	-	(1,232,365)
Change in Net Position	153,821	(21,120)	(16,295)
Beginning net position	15,886,212	124,035	5,258,874
Ending Net Position	\$ 16,040,033	\$ 102,915	\$ 5,242,579

See Notes to Financial Statements.

<u>Total</u>	
\$	5,545,076
	<u>5,545,076</u>

3,588,247
1,004,536
76,223
<u>4,669,006</u>

<u>876,070</u>

17,812
6,573
96,236
25,443
<u>(122,857)</u>
<u>23,207</u>

899,277

754,359
<u>(1,537,230)</u>
<u>(782,871)</u>

116,406

21,269,121
<u>\$ 21,385,527</u>

City of Canton, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2016

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 2,020,196	\$ 546,048	\$ 3,060,517
Payments to suppliers and employees	(1,504,264)	(564,939)	(1,391,314)
Net Cash Provided by Operating Activities	<u>515,932</u>	<u>(18,891)</u>	<u>1,669,203</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Cash received from CEDC receivable	120,823	-	-
Transfer in	689,633	-	64,726
Transfer (out)	(240,139)	-	(1,297,091)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>570,317</u>	<u>-</u>	<u>(1,232,365)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(584,033)	-	(1,122,710)
Proceeds from sale of capital assets	3,048	-	22,395
Intergovernmental revenue	96,236	-	-
Principal paid on debt	(345,000)	-	(32,091)
Interest paid on debt	(104,755)	-	(32,636)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(934,504)</u>	<u>-</u>	<u>(1,165,042)</u>
<u>Cash Flows from Investing Activities</u>			
Interest on investments	2,308	-	4,265
Net Cash Provided by Investing Activities	<u>2,308</u>	<u>-</u>	<u>4,265</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>154,053</u>	<u>(18,891)</u>	<u>(723,939)</u>
Beginning cash and cash equivalents	<u>1,612,295</u>	<u>116,997</u>	<u>3,079,138</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,766,348</u></u>	<u><u>\$ 98,106</u></u>	<u><u>\$ 2,355,199</u></u>

See Notes to Financial Statements.

<u>Total</u>	
\$	5,626,761
	<u>(3,460,517)</u>
	2,166,244
	<u>120,823</u>
	754,359
	<u>(1,537,230)</u>
	<u>(662,048)</u>
	<u>(1,706,743)</u>
	25,443
	96,236
	<u>(377,091)</u>
	<u>(137,391)</u>
	<u>(2,099,546)</u>
	<u>6,573</u>
	<u>6,573</u>
	<u>(588,777)</u>
	<u>4,808,430</u>
\$	<u><u>4,219,653</u></u>

City of Canton, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2016

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ (295,098)	\$ (21,120)	\$ 1,192,288
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation	694,084	1,795	308,657
Miscellaneous income	-	-	17,812
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	54,278	9,595	-
Deferred outflows of resources - pension	(119,629)	(6,467)	(71,557)
Deferred inflows of resources - pension	(18,939)	(1,024)	(11,329)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	10,000	(6,518)	127,501
Compensated absences	25,129	(4,132)	6,472
Net pension liability	166,107	8,980	99,359
Net Cash Provided (Used) by Operating Activities	\$ 515,932	\$ (18,891)	\$ 1,669,203

See Notes to Financial Statements.

Total

\$ 876,070

1,004,536

17,812

63,873

(197,653)

(31,292)

130,983

27,469

274,446

\$ 2,166,244

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City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Canton, Texas (the "City") was incorporated in 1919 and operates under a Council-Manager form of government. The City provides: police; fire; code enforcement; public works; street repair and maintenance; general administrative services; water; wastewater; and sanitation.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Canton Economic Development Corporation ("CEDC"), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Canton Economic Development Corporation

The Canton Economic Development Corporation ("CEDC") was incorporated on March 12, 1997. The CEDC serves all citizens of the City and is governed by a seven member board of directors appointed by the Canton City Council. The purpose of the CEDC is to promote economic development within the City and the State of Texas in order to enhance the employment and the public welfare for, and on behalf of, the City. The CEDC uses the same

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

fiscal year as the City. The CEDC's financial statements are presented discretely as a part of the financial statements of the City. Copies of the CEDC's financial statements may be obtained from the Canton EDC located at 119 N. Buffalo Street, Canton Texas.

B. Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, municipal court, parks and recreation, streets, and grant and donation projects.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered to be a major fund for reporting purposes.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2016

Capital Improvements Fund

The City's capital improvements fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. The capital improvements fund is considered to be a major fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, and water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Sanitation Fund

This fund is used to account for the provision of garbage and brush removal services to the residents of the City. Activities of the fund include administration, operations and maintenance and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

First Monday Fund

This fund is used to account for the operations of the City's First Monday Trade Days. This is a self-supporting trade show operated by the City. Activities of the fund include

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

administration and operations relating to the trade show. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations,

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

As of September 30, 2016, the City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

of the year following the year in which imposed. All taxing entities in Canton County allow taxpayers to pay one-half of their taxes on or before November 30 and the other half on or before June 30, without incurring any late fees. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Infrastructure	15 - 40 years
Buildings and improvements	10 - 40 years
Machinery and equipment	5 - 20 years

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2016

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The general fund balance should be at least 15% of the general fund annual expenditures. This percentage is the equivalent of 55 days expenditures. As of September 30, 2016, the general fund balance was 53% of the general fund annual expenditures. Debt service fund reserves are maintained at a level to support interest and principal payments in the event of a delay in property tax collections. The City should set aside resources to fund a reserve for years of decline and/or to fund capital out of current funds for projects that would have otherwise been funded by debt financing.

The utility fund working capital should be maintained at a minimum of 20-25% of the total operating expenditures or the equivalent of 75 days.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2016

included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund and special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

Expenditures exceeded appropriations at the legal level of control within the general fund and capital improvements fund by \$32,817 and \$16,597, respectively. Budgeted transfers out exceeded appropriations at the legal level of control within the debt service fund by \$112,483.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the primary government had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	833,302	0.12
Total fair value	<u>\$ 833,302</u>	
Portfolio weighted average maturity		0.12

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed the anticipated cash flow requirements of the funds; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. Authorized securities will be of the highest credit quality, and when not matched to liabilities, they will be short-term and liquid.

Credit risk. The City's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of September 30, 2016, the City's investment in TexPool was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2016, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool is rated at AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Water & Sewer	Sanitation	Total
Property taxes	\$ 11,363	\$ 21,879	\$ -	\$ -	\$ 33,242
Sales tax	431,726	-	-	-	431,726
Franchise taxes	64,452	-	-	-	64,452
Accounts	-	-	317,308	64,143	381,451
Fines & other	553,733	-	-	-	553,733
Allowance	(497,903)	-	(27,523)	-	(525,426)
	<u>\$ 563,371</u>	<u>\$ 21,879</u>	<u>\$ 289,785</u>	<u>\$ 64,143</u>	<u>\$ 939,178</u>

The following comprise receivable balances of the component unit at year end:

	Component Unit
Sales tax	\$ 145,791
Hotel tax	50,486
	<u>\$ 196,277</u>

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

C. Notes Receivable

Effective June 11, 2015, the CEDC issued a \$176,000 note receivable to a local business. The note is due on demand, but in any event, on or before December 31, 2020. The note bears interest at an interest rate of 3% per annum. The promissory note is forgivable upon performance of certain measures within the note agreement. As of December 8, 2016, the business was in default of the note agreement. A notice of termination and demand for repayment was issued on January 1, 2017. Due to these facts, a full allowance was recorded against this note receivable as of September 30, 2016.

Effective August 29, 2016, the CEDC issued a \$47,608 to a local business. The note is due and payable on December 31, 2021. The note bears interest at an interest rate of 3% per annum. The promissory loan is repayable in consistent annual payments of \$10,265 scheduled to commence on September 1, 2017.

Effective June 30, 2016, the CEDC issued a \$10,125 note receivable to a local business. The note is due on demand, but in any event, on or before February 28, 2022. The note bears interest at an interest rate of 3% per annum. The promissory note is forgivable upon performance of certain measures within the note agreement. Given the promissory is forgivable in nature, a full allowance was recorded against this note receivable as of September 30, 2016.

In May 2010, the CEDC agreed to pay the costs of the water well improvements by remitting to the City from the receipts of local sales and use taxes received by the Corporation to pay the principal and interest on the 2010 Series Revenue Bonds. This was approved by a vote by the citizens of the City of Canton. Below is the detail on this note receivable.

In December 2011, the CEDC agreed to pay the costs of the construction of a water storage tower that has been financed from the proceeds of the City of Canton's Combination Tax and Revenue Certificates of Obligation, Series 2011 by remitting to the City from the receipts of local sales and use taxes received by the Corporation to pay the principal and interest. This was approved by a vote by the citizens of the City of Canton. Below is the detail on this note receivable.

	Beginning Balances	Issued	Collections	Ending Balances	Current Portion
Note receivable-EDC - 2010	\$ 850,000	\$ -	\$ (40,000)	\$ 810,000	\$ 45,000
Note receivable-EDC - 2011	1,775,000	-	(80,000)	1,695,000	80,000
Total	<u>\$ 2,625,000</u>	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ 2,505,000</u>	<u>\$ 125,000</u>

Accrued interest receivable outstanding as of September 30, 2016 was \$23,441.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,762,321	\$ 65,355	\$ -	\$ 2,827,676
Construction in progress	382,041	1,331,189	(299,513)	1,413,717
Total capital assets not being depreciated	<u>3,144,362</u>	<u>1,396,544</u>	<u>(299,513)</u>	<u>4,241,393</u>
Capital assets, being depreciated:				
Infrastructure	10,859,203	35,292	299,410	11,193,905
Buildings and improvements	1,177,927	185,035	-	1,362,962
Machinery and equipment	1,781,010	778,761	(226,308)	2,333,463
Total capital assets being depreciated	<u>13,818,140</u>	<u>999,088</u>	<u>73,102</u>	<u>14,890,330</u>
Less accumulated depreciation				
Infrastructure	(2,710,132)	(341,818)	-	(3,051,950)
Buildings and improvements	(763,598)	(51,926)	-	(815,524)
Machinery and equipment	(1,503,038)	(159,629)	226,411	(1,436,256)
Total accumulated depreciation	<u>(4,976,768)</u>	<u>(553,373)</u>	<u>226,411</u>	<u>(5,303,730)</u>
Net capital assets being depreciated	<u>8,841,372</u>	<u>445,715</u>	<u>299,513</u>	<u>9,586,600</u>
Total Capital Assets	<u><u>\$ 11,985,734</u></u>	<u><u>\$ 1,842,259</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,827,993</u></u>

Depreciation was charged to governmental departments as follows:

General government	\$ 45,237
Police	86,805
Animal control	11,638
Fire	69,201
Streets	312,587
Parks	27,905
Total Governmental Activities Depreciation Expense	<u><u>\$ 553,373</u></u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 666,609	\$ 5,617	\$ -	\$ 672,226
Construction in progress	65,135	1,444,290	-	1,509,425
Total capital assets not being depreciated	<u>731,744</u>	<u>1,449,907</u>	<u>-</u>	<u>2,181,651</u>
Capital assets, being depreciated:				
Infrastructure	18,413,432	103,188	-	18,516,620
Buildings and improvements	9,878,572	72,120	-	9,950,692
Machinery & equipment	2,808,210	81,528	(118,935)	2,770,803
Total capital assets being depreciated	<u>31,100,214</u>	<u>256,836</u>	<u>(118,935)</u>	<u>31,238,115</u>
Less accumulated depreciation				
Infrastructure	(5,810,312)	(529,161)	-	(6,339,473)
Buildings and improvements	(5,542,374)	(337,762)	-	(5,880,136)
Machinery & equipment	(1,767,607)	(137,613)	117,037	(1,788,183)
Total accumulated depreciation	<u>(13,120,293)</u>	<u>(1,004,536)</u>	<u>117,037</u>	<u>(14,007,792)</u>
Net capital assets being depreciated	<u>17,979,921</u>	<u>(747,700)</u>	<u>(1,898)</u>	<u>17,230,323</u>
Total Capital Assets	<u><u>\$ 18,711,665</u></u>	<u><u>\$ 702,207</u></u>	<u><u>\$ (1,898)</u></u>	<u><u>\$ 19,411,974</u></u>

Depreciation was charged to business-type activities as follows:

Water/Sewer	\$ 694,084
Sanitation	1,795
First Monday	308,657
Total Business-Type Activities Depreciation Expense	<u><u>\$ 1,004,536</u></u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,178,958	\$ -	\$ -	\$ 1,178,958
Total capital assets not being depreciated	<u>1,178,958</u>	<u>-</u>	<u>-</u>	<u>1,178,958</u>
Capital assets, being depreciated:				
Buildings and improvements	28,740	-	-	28,740
Industrial park and improvements	89,400	-	-	89,400
Office equipment	8,848	1,900	-	10,748
Total capital assets being depreciated	<u>126,988</u>	<u>1,900</u>	<u>-</u>	<u>128,888</u>
Less accumulated depreciation				
Buildings and improvements	(20,676)	(2,874)	-	(23,550)
Industrial park and improvements	(13,410)	(2,235)	-	(15,645)
Office equipment	(7,559)	(1,565)	-	(9,124)
Total accumulated depreciation	<u>(41,645)</u>	<u>(6,674)</u>	<u>-</u>	<u>(48,319)</u>
Net capital assets being depreciated	<u>85,343</u>	<u>(4,774)</u>	<u>-</u>	<u>80,569</u>
Total Capital Assets	<u><u>\$ 1,264,301</u></u>	<u><u>\$ (4,774)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,259,527</u></u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2016.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Certificates of obligation	\$ 645,000	\$ -	\$ (205,000)	\$ 440,000	\$ 215,000
GO Refunding bonds	225,000	-	(75,000)	150,000	76,250
Tax notes	1,640,749	-	(217,910)	1,422,839	243,162
Issuance premiums	2,922	-	(2,922)	-	-
Issuance discounts	(7,776)	-	3,147	(4,629)	-
Notes payable	-	379,000	-	379,000	32,291
Compensated absences	236,919	257,696	(236,920)	257,695	231,926
Total Governmental Activities	<u>\$ 2,742,814</u>	<u>\$ 636,696</u>	<u>\$ (734,605)</u>	<u>\$ 2,644,905</u>	<u>\$ 798,629</u>
Long-term liabilities due in more than one year				<u>\$ 1,846,276</u>	
Business-Type Activities:					
Revenue bonds	\$ 2,625,000	\$ -	\$ (120,000)	\$ 2,505,000	\$ 125,000
Premiums	55,382	-	(3,235)	52,147	-
Discounts	(11,151)	-	648	(10,503)	-
GO Refunding bonds	675,000	-	(225,000)	450,000	228,750
Tax notes	1,234,250	-	(32,091)	1,202,159	51,838
Compensated absences	87,797	115,267	(87,797)	115,267	103,740
Total Business-Type Activities	<u>\$ 4,666,278</u>	<u>\$ 115,267</u>	<u>\$ (467,475)</u>	<u>\$ 4,314,069</u>	<u>\$ 509,328</u>
Long-term liabilities due in more than one year				<u>\$ 3,804,741</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The general fund normally liquidates compensated absences for all governmental funds. The water/sewer, sanitation, and First Monday each liquidate their own portion of compensated absences.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Yearend Balance
Governmental Activities:			
Certificates of obligation			
Series 2007	4.0%	\$ 1,400,000	\$ 440,000
Total		1,400,000	440,000
GO Refunding bonds			
Series 2014	3.5%	368,750	150,000
Total		368,750	150,000
Tax notes			
Series 2010	2.0%	750,000	190,000
Series 2015	1.8%	1,265,750	1,232,839
Total		2,015,750	1,422,839
Note Payable			
Canton Fire Truck	2.7%	379,000	379,000
Total		379,000	379,000
Business-type Activities:			
Revenue bonds			
Series 2010	4.25%	1,060,000	810,000
Series 2012	3.50%	2,000,000	1,695,000
Total		3,060,000	2,505,000
GO Refunding bonds			
Series 2014	3.5%	1,381,250	450,000
Total		1,381,250	450,000
Tax notes			
Series 2015	1.79%	1,234,250	1,202,159
Total		1,234,250	1,202,159
Total Long-Term Debt		\$ 9,460,000	\$ 6,548,998

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Combination tax, revenue bonds, and certificates of obligation

Year Ending September 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 458,162	\$ 27,292	\$ 485,454	\$ 176,838	\$ 114,815	\$ 291,653
2018	376,890	19,757	396,647	278,110	109,413	387,523
2019	336,690	15,384	352,074	458,312	101,424	559,736
2020	341,753	9,312	351,065	473,248	91,465	564,713
2021	349,344	3,127	352,471	480,651	80,834	561,485
2022	-	-	-	150,000	72,635	222,635
2023	-	-	-	150,000	67,110	217,110
2024	-	-	-	160,000	61,585	221,585
2025	-	-	-	165,000	55,595	220,595
2026	-	-	-	175,000	49,430	224,430
2027	-	-	-	180,000	42,720	222,720
2028	-	-	-	190,000	35,260	225,260
2029	-	-	-	195,000	27,380	222,380
2030	-	-	-	200,000	19,300	219,300
2031	-	-	-	135,000	11,000	146,000
2032	-	-	-	140,000	5,600	145,600
Total	<u>\$ 1,862,839</u>	<u>\$ 74,872</u>	<u>\$ 1,937,711</u>	<u>\$ 3,707,159</u>	<u>\$ 945,566</u>	<u>\$ 4,652,725</u>

General Obligation Bonds

Year Ending September 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 76,250	\$ 6,840	\$ 83,090	\$ 228,750	\$ 10,217	\$ 238,967
2018	73,750	3,363	77,113	221,250	7,695	228,945
Total	<u>\$ 150,000</u>	<u>\$ 10,203</u>	<u>\$ 160,203</u>	<u>\$ 450,000</u>	<u>\$ 17,912</u>	<u>\$ 467,912</u>

Tax and revenue bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of tax and revenue bonds are from taxes levied on all taxable property located within the City and revenues earned from the enterprise funds. The bonds were issued to fund improvements to the City's water and treatment facilities as well as improvements to the First Monday facilities.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Note Payable

The City entered into a note agreement for \$379,000 in December 2015 in order to finance the purchase of a new fire truck. Semi-annual payments of \$23,300 are due November 1 and May 1. Annual interest will accrue at 2.70%.

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 32,291	\$ 13,456	\$ 45,747
2018	37,490	9,110	46,600
2019	38,509	8,091	46,600
2020	39,556	7,044	46,600
2021	40,631	5,969	46,600
2022	41,736	4,864	46,600
2023	42,870	3,730	46,600
2024	44,036	2,564	46,600
2025	45,233	1,368	46,601
2026	16,648	225	16,873
Total	\$ 379,000	\$ 56,421	\$ 435,421

The following is a summary of changes in the CEDC's long-term liabilities for the year ended September 30, 2016.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Note payable	\$ 132,522	\$ -	\$ (105,633)	\$ 26,889	\$ 26,889
Compensated absences	27,814	-	(813)	27,001	27,001
Total	\$ 160,336	\$ -	\$ (106,446)	\$ 53,890	\$ 53,890

The annual requirements to amortize debt issues for the CEDC outstanding at year ending September 30, 2016 were as follows:

Year Ending September 30	Principal	Interest	Total
2017	\$ 26,889	\$ 144	\$ 27,033
Total	\$ 26,889	\$ 144	\$ 27,033

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Transfer out:	Transfer In:				Total
	General	Capital Improvements	Water/Sewer	First Monday	
General	\$ -	\$ -	\$ 101,937	\$ -	\$ 101,937
Water, Sewer	2,595	237,544	-	-	240,139
First Monday	709,395	-	587,696	-	1,297,091
Debt service	47,757	-	-	64,726	112,483
Total	\$ 759,747	\$ 237,544	\$ 689,633	\$ 64,726	\$ 1,751,650

Amounts transferred between funds relate to amounts collected by general and enterprise funds for various governmental expenditures, capital expenditures and debt payments.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs monthly calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Operating Leases

The City has a property lease for \$5,000 per month. The lease expires in 2016; however, there is an option to renew for two 5-year terms. The future minimum lease payments are as follows:

Year ended September 30,	Minimum Lease Payments
2017	\$ 15,000
2018	-
2019	-
2020	-
Thereafter	-
Total	\$ 15,000

E. Defined Benefit Pension Plans

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	35
Active employees	66
Total	129

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Canton were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Canton were 11.25% and 11.74% in calendar years 2016 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$317,607.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year, including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2016

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/14	\$ 8,283,739	\$ 7,071,510	\$ 1,212,229
Changes for the year:			
Service Cost	380,783	-	380,783
Interest (on the Total Pension Liab.)	580,386	-	580,386
Difference between expected and actual experience	76,183	-	76,183
Changes of assumptions	234,476	-	234,476
Contributions – employer	-	310,568	(310,568)
Contributions – employee	-	184,080	(184,080)
Net investment income	-	10,436	(10,436)
Benefit payments, including refunds of emp. contributions	(365,811)	(365,811)	-
Administrative expense	-	(6,356)	6,356
Other changes	-	(314)	314
Net changes	906,017	132,603	773,414
Balance at 12/31/15	\$ 9,189,756	\$ 7,204,113	\$ 1,985,643

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 3,323,200	\$ 1,985,643	\$ 889,471

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$445,834.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and investment earnings	\$ 437,535	\$ -
Differences between expected and actual economic experience	-	19,249
Changes in assumptions	178,913	
Contributions subsequent to the measurement date	229,795	-
Total	<u><u>\$ 846,243</u></u>	<u><u>\$ 19,249</u></u>

The City reported \$229,795 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2016	\$	157,105
2017		157,105
2018		169,879
2019		113,110
Thereafter		-
	<u><u>\$</u></u>	<u><u>597,199</u></u>

Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were \$6,451, \$5,425, \$4,704, respectively, which equaled the required contributions each year. The required contribution rates for 2016, 2015, and 2014 were 0.25%, 0.21%, and 0.20%, respectively.

G. Related Party Transactions

The President of American National Bank, Cindy Malouf, is a member of the City Council. Conflict of interest declarations have been followed in the event of business pertaining to the City and bank. In addition, Malouf's husband is a member of a limited liability corporation that owns a building on First Monday Trade grounds. Currently, the City holds a lease for use of this building with the corporation.

Council Member Scott Perkins leases 42 lots from the City and First Monday fund. The most current lease term is April 2014 through March 2019, and includes five options to renew the lease for an additional five year terms. The monthly rent for the lease is \$5,350.

All full time active City employees that are residents of the City receive a 20% discount for utility services.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

H. Restatement

Due to the correction of accounting errors related to receivable accruals, and notes receivable, the City restated its beginning net position within government activities, business-type activities, and the discretely presented component unit ("CEDC") to properly reflect the accruals and note balances. The tables below summarize the changes to net position as a result of these corrections.

	Governmental Activities
Prior year ending net position, as reported	\$ 13,353,555
Recognition of franchise tax receivable	63,139
Restated beginning net position	<u>\$ 13,416,694</u>
	General Fund
Prior year ending fund balance, as reported	\$ 2,644,858
Recognition of franchise tax receivable	63,139
Restated beginning net position	<u>\$ 2,707,997</u>
	Business-Type Activities
Prior year ending net position, as reported	\$ 21,622,681
Correction to note receivable due from component unit	(353,560)
Restated beginning net position	<u>\$ 21,269,121</u>
	Water & Sewer
Prior year ending net position, as reported	\$ 16,239,772
Correction to note receivable due from component unit	(353,560)
Restated beginning net position	<u>\$ 15,886,212</u>
	CEDC
Prior year ending net position, as reported	\$ (739,606)
Correction to note payable due to primary government	353,560
Restated beginning net position	<u>\$ (386,046)</u>

I. Subsequent Events

The City evaluated subsequent events through April 17, 2017, the date the financial statements were available to be issued.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

On October 28, 2016, City Council approved the purchase of a brush truck for \$129,400 for the fire department.

In November 2016, the citizens of the City voted to allow alcohol sales within city limits.

On November 21, 2016, City Council approved the fire department and police department request to purchase radio communication equipment for \$967,000.

On January 17, 2017, City Council approved a \$3,000,000 certificate of obligation borrowing to finance street repairs and improvements. The bond is payable in annual payments of approximately \$290,000 over a term through 2030, and bears interest at a rate of 2.56% per annum.

J. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the City is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Operation*, and GASB Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*;

The, GASB has issued Statement No. 73, entitled *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*. The City has adopted this statement during the current fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 77; entitled, *Tax Abatement Disclosures*; GASB Statement No. 78, entitled, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which will require adoption in the future, if

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2016

applicable. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Canton, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

GENERAL FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	2016 Actual
<u>Revenues</u>			
Property tax	\$ 468,366	\$ 468,366	\$ 470,278
Sales tax	2,400,000	2,400,000	2,655,170
Franchise and local taxes	240,000	240,000	257,795
License and permits	101,000	101,000	81,231
Grant revenues	537,715	537,715	522,265
Donations	5,200	57,215	1,410
Fines and forfeitures	212,750	212,750	190,832
Investment income	-	-	3,259
Charges for services	59,400	59,400	70,950
Rental income	59,100	59,100	68,369
Other revenue	4,700	4,700	1,777
Total Revenues	4,088,231	4,140,246	4,323,336
<u>Expenditures</u>			
Current:			
General government	770,575	925,325	966,915
Developmental services	110,088	110,088	98,627
Police	1,275,391	1,462,091	1,242,264
Animal control	155,088	155,088	158,291
Municipal court	217,876	217,876	188,324
Fire	543,344	543,344	463,293
Streets	410,732	410,732	320,129
Parks	355,844	357,344	343,569
Grant & donation projects	573,130	573,130	611,576
Debt service - interest	-	-	350
Capital Outlay	392,030	571,550	966,047
Total Expenditures	4,804,098	5,326,568	5,359,385
Revenues Over (Under) Expenditures	\$ (715,867)	\$ (1,186,322)	\$ (1,036,049)

Variance with Final Budget	
Positive	
(Negative)	
<hr/>	
\$	1,912
	255,170
	17,795
	(19,769)
	(15,450)
	(55,805)
	(21,918)
	3,259
	11,550
	9,269
	(2,923)
	<hr/>
	183,090
	<hr/>
	(41,590)
	11,461
	219,827
	(3,203)
	29,552
	80,051
	90,603
	13,775
	(38,446)
	(350)
	(394,497)
	<hr/>
	(32,817) *
	<hr/>
\$	150,273
	<hr/>

City of Canton, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2) GENERAL FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	2016 Actual
<u>Other Financing Sources (Uses)</u>			
Sale of capital assets	\$ -	\$ -	\$ 7,125
Insurance recoveries	-	101,000	117,454
Loan proceeds	-	-	379,000
Transfers in	727,000	687,000	759,747
Transfers (out)	-	-	(101,937)
Total Other Financing Sources (Uses)	727,000	788,000	1,161,389
Net Change in Fund Balance	\$ 11,133	\$ (398,322)	125,340
Beginning fund balance			2,707,997
Ending Fund Balance			\$ 2,833,337

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriates at the legal level of control.

Variance with Final Budget Positive (Negative)	
<hr/>	
\$	7,125
	16,454
	379,000
	72,747
	(101,937)
	<hr/>
	373,389
	<hr/>
\$	523,662
	<hr/>

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City of Canton, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2016

	12/31/2015	12/31/2014 ¹
Total pension liability		
Service cost	\$ 380,783	\$ 330,020
Interest (on the Total Pension Liability)	580,386	548,014
Differences between expected and actual experience	76,183	(137,484)
Changes of assumptions	234,476	-
Benefit payments, including refunds of participant contributions	(365,811)	(241,141)
Net change in total pension liability	906,017	499,409
Total pension liability - beginning	8,283,739	7,784,330
Total pension liability - ending (a)	\$ 9,189,756	\$ 8,283,739
Plan fiduciary net position		
Contributions - employer	\$ 310,568	\$ 278,003
Contributions - members	184,080	164,638
Net investment income	10,436	372,020
Benefit payments, including refunds of participant contributions	(365,811)	(241,141)
Administrative expenses	(6,356)	(3,883)
Other	(314)	(319)
Net change in plan fiduciary net position	132,603	569,318
Plan fiduciary net position - beginning	7,071,510	6,502,192
Plan fiduciary net position - ending (b)	\$ 7,204,113	\$ 7,071,510
Fund's net pension liability - ending (a) - (b)	\$ 1,985,643	\$ 1,212,229
 Plan fiduciary net position as a percentage of the total pension lial	 78.39%	 85.37%
Covered employee payroll	\$ 2,629,717	\$ 2,351,967
Fund's net position as a percentage of covered employee payroll	75.51%	51.54%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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City of Canton, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Last Ten Fiscal Years

	9/30/2016	9/30/2015 ¹
Actuarially determined employer contributions	\$ 307,308	\$ 302,517
Contributions in relation to the actuarially determined contribution	\$ 317,607	\$ 303,814
Contribution deficiency (excess)	\$ (10,299)	\$ (1,297)
Annual covered employee payroll	\$ 2,699,244	\$ 2,538,178
Employer contributions as a percentage of covered employee payroll	11.77%	11.97%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.00% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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*INDIVIDUAL FUND BUDGET TO ACTUAL
SCHEDULES*

City of Canton, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	2016 Actual
<u>Revenues</u>			
Property taxes	\$ 684,289	\$ 684,289	\$ 690,372
Investment income	4,500	4,500	6,690
Total Revenues	<u>688,789</u>	<u>688,789</u>	<u>697,062</u>
<u>Expenditures</u>			
Current:			
Agent fees	1,300	1,300	1,691
Debt service:			
Principal	497,910	497,910	497,910
Interest	183,463	183,463	72,251
Total Expenditures	<u>682,673</u>	<u>682,673</u>	<u>571,852</u>
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	-	-	(112,483)
Net Change in Fund Balance	<u>\$ 6,116</u>	<u>\$ 6,116</u>	12,727
Beginning fund balance			1,167,949
Ending Fund Balance			<u>\$ 1,180,676</u>

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Variance with
Final Budget
Positive
(Negative)

\$	6,083
	2,190
	<u>8,273</u>

(391)

	-
	111,212
	<u>110,821</u>

	<u>(112,483)</u>
--	------------------

\$	<u><u>6,611</u></u>
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City of Canton, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL IMPROVEMENTS FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	2016 Actual
<u>Revenues</u>			
Other revenue	\$ 400	\$ 400	\$ --
<u>Expenditures</u>			
Capital outlay	242,650	868,775	885,372
Total Expenditures	<u>242,650</u>	<u>868,775</u>	<u>885,372</u>
<u>Other Financing Sources</u>			
Transfers in	-	-	237,544
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>237,544</u>
Net Change in Fund Balance	<u>\$ (242,250)</u>	<u>\$ (868,375)</u>	<u>(647,828)</u>
Beginning fund balance			980,789
Ending Fund Balance			<u>\$ 332,961</u>

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriates at the legal level of control.

Variance with
Final Budget
Positive
(Negative)

\$ (400)

(16,597)

(16,597) *

237,544

237,544

\$ 220,547

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
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Financial Trends	96
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	106
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These schedules contain information to help the reader assess the City's most significant local revenue source, sales and property tax.

Debt Capacity	114
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	124
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	128
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Canton, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 4,780,990	\$ 4,780,990	\$ 8,917,364	\$ 6,879,822
Restricted	1,068,338	1,068,338	1,439,063	1,088,389
Unrestricted	1,228,978	1,228,978	(2,628,049)	554,154
Total governmental activities Net Position	<u><u>\$ 7,078,306</u></u>	<u><u>\$ 7,078,306</u></u>	<u><u>\$ 7,728,378</u></u>	<u><u>\$ 8,522,365</u></u>
 Business-type activities				
Net investment in capital assets	\$ 8,049,798	\$ 8,049,798	\$ 8,847,997	\$ 10,025,715
Restricted	-	-	-	130,509
Unrestricted	1,182,662	1,182,662	1,722,995	1,111,558
Total business-type activities Net Position	<u><u>\$ 9,232,460</u></u>	<u><u>\$ 9,232,460</u></u>	<u><u>\$ 10,570,992</u></u>	<u><u>\$ 11,267,782</u></u>
 Primary government				
Net investment in capital assets	\$ 12,830,788	\$ 12,830,788	\$ 17,765,361	\$ 16,905,537
Restricted	1,068,338	1,068,338	1,439,063	1,218,898
Unrestricted	2,411,640	2,411,640	(905,054)	1,665,712
Total primary government Net Position	<u><u>\$ 16,310,766</u></u>	<u><u>\$ 16,310,766</u></u>	<u><u>\$ 18,299,370</u></u>	<u><u>\$ 19,790,147</u></u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 8,630,990	\$ 9,103,788	\$ 9,664,211	\$ 10,328,448	\$ 10,460,628	\$ 11,773,742
518,215	1,022,432	91,213	1,188,126	1,253,208	1,263,708
<u>1,713,158</u>	<u>1,151,819</u>	<u>2,553,020</u>	<u>1,266,490</u>	<u>1,702,858</u>	<u>1,738,157</u>
<u>\$ 10,862,363</u>	<u>\$ 11,278,039</u>	<u>\$ 12,308,444</u>	<u>\$ 12,783,064</u>	<u>\$ 13,416,694</u>	<u>\$ 14,775,607</u>
\$ 11,782,292	\$ 13,004,997	\$ 14,099,071	\$ 14,637,447	\$ 15,399,638	\$ 15,730,654
99,246	81,223	98,576	86,787	-	-
<u>2,043,836</u>	<u>6,236,087</u>	<u>5,556,515</u>	<u>5,659,947</u>	<u>5,869,483</u>	<u>5,654,873</u>
<u>\$ 13,925,374</u>	<u>\$ 19,322,307</u>	<u>\$ 19,754,162</u>	<u>\$ 20,384,181</u>	<u>\$ 21,269,121</u>	<u>\$ 21,385,527</u>
\$ 20,413,282	\$ 22,108,785	\$ 23,763,282	\$ 24,965,895	\$ 25,860,266	\$ 27,504,396
617,461	1,103,655	189,789	1,274,913	1,253,208	1,263,708
<u>3,756,994</u>	<u>7,387,906</u>	<u>8,109,535</u>	<u>6,926,437</u>	<u>7,572,341</u>	<u>7,393,030</u>
<u>\$ 24,787,737</u>	<u>\$ 30,600,346</u>	<u>\$ 32,062,606</u>	<u>\$ 33,167,245</u>	<u>\$ 34,685,815</u>	<u>\$ 36,161,134</u>

City of Canton, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 695,308	\$ 706,877	\$ 975,534	\$ 821,677
Public safety	1,297,739	1,473,409	1,463,891	1,584,341
Public works	466,698	596,873	765,471	668,367
Public services and operations	215,320	344,222	276,339	278,595
Parks and recreation	171,891	293,487	381,200	277,565
Interest expense	210,684	298,690	186,529	155,545
Unallocated depreciation	272,261	-	-	-
Total governmental activities expenses	3,329,901	3,713,558	4,048,964	3,786,090
Business-type activities:				
Water and sewer	2,231,605	1,851,540	2,133,803	1,852,580
Sanitation	-	577,327	614,118	543,142
First Monday	2,884,669	2,911,402	2,891,481	2,087,038
Total business-type activities expenses	5,116,274	5,340,269	5,639,402	4,482,760
Total primary government expenses	\$ 8,446,175	\$ 9,053,827	\$ 9,688,366	\$ 8,268,850
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 121,906	\$ 129,515	\$ 32,957	\$ 30,325
Public safety	294,643	-	55,081	42,465
Public works	2,055	-	-	-
Public services and operations	61,591	202,404	314,253	276,852
Total governmental activities program revenues	480,195	331,919	402,291	349,642
Business-type activities:				
Charges for services:				
Water and sewer	2,036,062	1,747,927	1,873,195	1,636,119
Sanitation	-	602,820	556,578	553,448
First Monday	3,515,950	3,332,549	3,428,312	2,624,051
Total business-type activities program revenues	5,552,012	5,683,296	5,858,085	4,813,618
Total primary government program revenues	\$ 6,032,207	\$ 6,015,215	\$ 6,260,376	\$ 5,163,260
Net (Expense)/Revenue				
Governmental activities	\$ (2,849,706)	\$ (3,381,639)	\$ (3,646,673)	\$ (3,436,448)
Business-type activities	435,738	343,027	218,683	330,858
Total primary government net expense	\$ (2,413,968)	\$ (3,038,612)	\$ (3,427,990)	\$ (3,105,590)

2011	2012	2013	2014	2015	2016
\$ 884,368	\$ 966,692	\$ 951,008	\$ 725,581	\$ 1,060,061	\$ 1,298,933
1,682,441	1,659,571	1,712,959	1,776,166	2,034,074	2,092,032
659,366	645,380	642,939	322,669	691,552	738,580
301,828	273,145	323,425	606,861	-	-
276,160	287,693	293,094	299,906	315,011	377,795
203,416	151,592	120,239	92,575	103,570	62,933
-	-	-	-	-	-
4,007,579	3,984,073	4,043,664	3,823,758	4,204,268	4,570,273
1,857,049	1,830,652	1,895,691	1,863,588	1,821,449	2,360,135
573,396	525,861	536,929	503,897	566,184	557,573
1,753,961	1,730,693	1,722,955	1,722,232	1,828,623	1,848,712
4,184,406	4,087,206	4,155,575	4,089,717	4,216,256	4,766,420
\$ 8,191,985	\$ 8,071,279	\$ 8,199,239	\$ 7,913,475	\$ 8,420,524	\$ 9,336,693
\$ 64,276	\$ 69,959	\$ 179,437	\$ 36,046	\$ 291,461	\$ 736,174
95,932	199,989	21,755	26,455	226,039	196,008
1,809	-	-	-	-	-
396,541	269,329	370,285	403,613	2,875	2,875
558,558	539,277	571,477	466,114	520,375	935,057
1,947,269	1,838,225	1,802,741	1,815,831	2,086,274	2,062,154
587,270	567,465	552,804	542,756	554,336	536,453
2,657,207	2,892,819	2,735,419	2,940,810	2,991,965	3,042,705
5,191,746	5,298,509	5,090,964	5,299,397	5,632,575	5,641,312
\$ 5,750,304	\$ 5,837,786	\$ 5,662,441	\$ 5,765,511	\$ 6,152,950	\$ 6,576,369
\$ (3,449,021)	\$ (3,444,796)	\$ (3,472,187)	\$ (3,357,644)	\$ (3,683,893)	\$ (3,635,216)
1,007,340	1,211,303	935,389	1,209,680	1,416,319	874,892
\$ (2,441,681)	\$ (2,233,493)	\$ (2,536,798)	\$ (2,147,964)	\$ (2,267,574)	\$ (2,760,324)

City of Canton, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
 (accrual basis of accounting)

	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 961,661	\$ 1,055,951	\$ 1,058,246	\$ 1,147,211
Sales taxes	1,994,083	2,157,257	2,112,512	2,087,499
Franchise and local taxes	320,108	265,162	218,229	236,694
Investment earnings	78,512	111,716	16,717	11,859
Insurance reimbursement	322	8,776	-	-
FEMA reimbursement	-	56,873	3,373	-
Miscellaneous	39,750	20,862	52,605	56,807
Extraordinary loss	(300,000)	-	-	-
Operating & capital grants & donations	312,144	616,524	98,531	288,862
Intergovernmental-state and local	-	115,000	248,688	-
Transfers, net	(43,517)	(365,390)	441,333	331,682
Total governmental activities	<u>3,363,063</u>	<u>4,042,731</u>	<u>4,250,234</u>	<u>4,160,614</u>
Business-type activities:				
Investment earnings	94,252	46,819	8,652	7,174
Hotel/motel	157,477	183,557	220,532	210,697
Miscellaneous	-	74,567	31,588	69,182
Sale of assets	-	(205)	-	-
Operating & capital grants & donations	28,000	-	503,617	1,069,158
Intergovernmental-state & local	125,000	80,000	143,635	20,000
Transfers, net	43,517	365,390	(441,333)	(331,682)
Total business-type activities	<u>448,246</u>	<u>750,128</u>	<u>466,691</u>	<u>1,044,529</u>
Total primary government	<u><u>\$ 3,811,309</u></u>	<u><u>\$ 4,792,859</u></u>	<u><u>\$ 4,716,925</u></u>	<u><u>\$ 5,205,143</u></u>
Change in Net Position				
Governmental activities	\$ 513,357	\$ 661,092	\$ 603,561	\$ 724,166
Business-type activities	883,984	1,093,155	685,374	1,375,387
Total primary government	<u><u>\$ 1,397,341</u></u>	<u><u>\$ 1,754,247</u></u>	<u><u>\$ 1,288,935</u></u>	<u><u>\$ 2,099,553</u></u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,104,103	\$ 1,120,330	\$ 1,114,335	\$ 1,121,246	\$ 1,140,729	\$ 1,161,988
2,151,471	2,264,281	2,393,254	2,461,789	2,561,510	2,655,170
283,430	260,605	235,750	313,620	333,923	257,795
15,200	8,509	8,407	8,971	9,089	9,949
-	-	-	-	-	-
-	-	-	-	-	-
9,701	29,938	7,762	4,832	60,279	126,356
	-	-	-	-	-
463,021	223,649	60,748	144,846	-	-
-	-	50,000	-	-	-
333,035	23,238	594,585	495,589	211,993	782,871
<u>4,359,961</u>	<u>3,930,550</u>	<u>4,464,841</u>	<u>4,550,893</u>	<u>4,317,523</u>	<u>4,994,129</u>
3,926	4,782	1,478	1,715	3,078	6,573
63,410	-	-	-	-	-
30,003	40,887	27,955	43,144	31,096	17,812
-	-	-	-	-	-
85,308	4,245,941	-	108,500	-	-
-	-	90,000	-	-	-
(333,035)	(23,238)	(594,585)	(495,589)	(211,993)	(782,871)
<u>(150,388)</u>	<u>4,268,372</u>	<u>(475,152)</u>	<u>(342,230)</u>	<u>(177,819)</u>	<u>(758,486)</u>
<u>\$ 4,209,573</u>	<u>\$ 8,198,922</u>	<u>\$ 3,989,689</u>	<u>\$ 4,208,663</u>	<u>\$ 4,139,704</u>	<u>\$ 4,235,643</u>
\$ 910,940	\$ 485,754	\$ 992,654	\$ 1,193,249	\$ 633,630	\$ 1,358,913
856,952	5,479,675	460,237	867,450	1,238,500	116,406
<u>\$ 1,767,892</u>	<u>\$ 5,965,429</u>	<u>\$ 1,452,891</u>	<u>\$ 2,060,699</u>	<u>\$ 1,872,130</u>	<u>\$ 1,475,319</u>

City of Canton, Texas
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:				
Assigned	\$ -	\$ -	\$ -	\$ 119,140
Restricted	-	-	79,650	39,679
Unassigned	960,626	1,192,632	635,926	716,087
Total general fund	<u>\$ 960,626</u>	<u>\$ 1,192,632</u>	<u>\$ 715,576</u>	<u>\$ 874,906</u>
 All other governmental funds:				
Restricted	\$ 1,466,971	\$ 1,439,063	\$ 1,034,399	\$ 983,567
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned, reported in:				
Special revenue funds	-	-	-	-
Total all other governmental funds	<u>\$ 1,466,971</u>	<u>\$ 1,439,063</u>	<u>\$ 1,034,399</u>	<u>\$ 983,567</u>

2011	2012	2013	2014	2015	2016
\$ 2,666	\$ -	\$ -	\$ -	\$ -	\$ -
39,455	35,254	38,213	43,650	214,967	83,032
1,177,088	1,214,037	1,795,405	2,364,908	2,493,030	2,750,305
<u>\$ 1,219,209</u>	<u>\$ 1,249,291</u>	<u>\$ 1,833,618</u>	<u>\$ 2,408,558</u>	<u>\$ 2,707,997</u>	<u>\$ 2,833,337</u>
\$ 1,337,086	\$ 1,192,338	\$ 1,053,664	\$ 1,147,473	\$ 2,148,738	\$ 1,513,637
123,697	-	-	-	-	-
98,820	92,586	-	-	-	-
-	(58,173)	-	-	-	-
<u>\$ 1,559,603</u>	<u>\$ 1,226,751</u>	<u>\$ 1,053,664</u>	<u>\$ 1,147,473</u>	<u>\$ 2,148,738</u>	<u>\$ 1,513,637</u>

City of Canton, Texas
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
Taxes	\$ 961,660	\$ 1,055,951	\$ 1,068,738	\$ 1,147,211
Non-property taxes	2,314,191	2,422,419	2,330,741	2,324,193
License and permits	33,114	90,420	49,565	43,873
Charges for services	17,321	23,693	74,221	67,565
Fines and forfeitures	275,099	178,711	196,187	167,744
Capital & operating grants	312,144	446,870	98,531	279,767
Rental income	32,755	39,095	32,957	48,601
Donations	-	169,654	3,373	9,095
Investment income	78,511	111,715	16,717	11,860
Total Revenues	<u>4,024,795</u>	<u>4,538,528</u>	<u>3,871,030</u>	<u>4,099,909</u>
Expenditures				
General government	993,892	891,451	1,132,721	795,167
Public safety	1,348,594	2,038,530	1,934,821	1,459,063
Public works	985,848	1,882,229	1,747,843	708,120
Parks and recreation	246,987	319,171	563,291	221,869
Capital outlay	-	-	-	369,691
Debt service				
Issuance costs	-	-	-	-
Interest	253,142	556,193	633,988	667,482
Principal	208,712	329,062	143,426	180,367
Total Expenditures	<u>4,037,175</u>	<u>6,016,636</u>	<u>6,156,090</u>	<u>4,401,759</u>
Excess of Revenues				
Over (Under) Expenditures	(12,380)	(1,478,108)	(2,285,060)	(301,850)
Other Financing Sources (Uses)				
Sale of assets	-	-	29,487	-
Debt proceeds	-	1,900,000	380,000	-
Escrow payment of retired debt	-	-	-	-
Intergovernmental	-	195,000	248,688	-
FEMA reimbursements	-	56,873	-	-
Insurance reimbursement	322	8,776	49,361	40,136
Extraordinary loss	(300,000)	-	-	-
Miscellaneous	189,355	20,863	52,605	38,531
Transfers	(71,220)	(445,390)	448,279	331,681
Total Other Financing Sources (Uses)	<u>(181,543)</u>	<u>1,736,122</u>	<u>1,208,420</u>	<u>410,348</u>
Net Change in Fund Balances	<u>\$ (193,923)</u>	<u>\$ 258,014</u>	<u>\$ (1,076,640)</u>	<u>\$ 108,498</u>
Debt service as a percentage of noncapital expenditures	11.44%	14.71%	12.63%	21.03%

2011	2012	2013	2014	2015	2016
\$ 1,104,103	\$ 1,116,283	\$ 1,114,335	\$ 1,137,994	\$ 1,133,744	\$ 1,160,650
2,434,901	2,524,886	2,629,004	2,775,409	2,832,294	2,912,965
64,018	51,070	89,330	109,307	98,298	81,231
67,738	61,981	60,232	58,648	73,607	70,950
342,061	337,264	223,077	242,171	220,863	190,832
349,937	154,708	12,775	141,830	37,084	522,265
46,697	48,937	48,240	54,346	61,844	68,369
7,584	6,879	270	7,555	31,821	3,187
15,200	8,510	8,408	8,971	9,089	9,949
4,432,239	4,310,518	4,185,671	4,536,231	4,498,644	5,020,398
849,814	928,968	1,034,573	710,861	1,179,236	1,867,133
1,507,941	1,518,593	1,541,765	1,637,044	1,921,641	1,863,848
686,958	637,721	670,256	597,702	330,095	320,129
238,155	234,709	246,285	262,257	292,389	343,569
743,531	550,590	421,675	305,707	354,246	1,851,419
22,100	-	-	29,584	21,500	-
690,342	717,439	751,833	627,604	74,317	72,601
186,381	153,514	126,883	107,670	812,465	497,910
4,925,222	4,741,534	4,793,270	4,278,429	4,985,889	6,816,609
(492,983)	(431,016)	(607,599)	257,802	(487,245)	(1,796,211)
-	-	-	-	220,963	7,125
750,000	-	-	368,750	1,265,750	379,000
-	-	-	(470,250)	-	-
105,500	41,650	228,147	-	-	-
-	-	-	-	-	-
34,336	39,322	149,497	-	26,104	117,454
-	-	-	-	-	-
13,407	24,139	8,861	6,472	-	-
333,035	23,238	594,585	495,589	211,993	782,871
1,236,278	128,349	981,090	400,561	1,724,810	1,286,450
\$ 743,295	\$ (302,667)	\$ 373,491	\$ 658,363	\$ 1,237,565	\$ (509,761)
21.49%	20.78%	20.10%	19.25%	19.61%	11.49%

City of Canton, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential real estate	\$ 132,898,480	\$ 134,823,670	\$ 184,651,730	\$ 139,534,250
Commercial real estate	129,840,220	102,566,320	85,766,718	179,636,930
Other Property	33,133,740	33,206,420	28,283,792	9,891,220
Less: tax-exempt property	(35,614,780)	(27,361,518)	(45,556,942)	(42,279,716)
Taxable value	<u>\$ 260,257,660</u>	<u>\$ 243,234,892</u>	<u>\$ 253,145,298</u>	<u>\$ 286,782,684</u>
Total direct property tax rate	0.390000	0.425230	0.425230	0.425230

Source: Van Zandt County Appraisal District

Note: Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

Tax rates are per \$100 of assessed value.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 139,947,640	\$ 148,369,050	\$ 146,435,480	\$ 156,782,282	\$ 196,091,860	\$ 240,917,309
164,330,874	154,960,053	158,059,040	150,933,786	90,302,440	22,082,160
10,976,940	6,287,803	5,808,060	4,156,300	37,103,113	39,798,887
(53,090,014)	(47,777,448)	(46,176,854)	(47,300,774)	(51,814,346)	(24,666,350)
<u>\$ 262,165,440</u>	<u>\$ 261,839,458</u>	<u>\$ 264,125,726</u>	<u>\$ 264,571,594</u>	<u>\$ 271,683,067</u>	<u>\$ 278,132,006</u>
0.425230	0.425230	0.425230	0.420332	0.420332	0.420332

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City of Canton, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

Fiscal Year Ended 9/30	Operating/ General Rate	General Obligation Debt Service	Total Direct	Canton Independent School District	Van Zandt County
2007	\$ 0.1851	\$ 0.2049	\$ 0.3900	\$ 1.4710	\$ 0.3553
2008	0.2252	0.2000	0.4252	1.4710	0.3869
2009	0.1012	0.3240	0.4252	1.4710	0.3869
2010	0.1271	0.2981	0.4252	1.4710	0.4270
2011	0.0982	0.3270	0.4252	1.4710	0.4701
2012	0.0982	0.3270	0.4252	1.4710	0.4701
2013	0.0982	0.3270	0.4252	1.4710	0.4701
2014	0.1033	0.3170	0.4203	1.4710	0.4592
2015	0.1530	0.2673	0.4203	1.4710	0.4858
2016	0.1704	0.2499	0.4203	1.4710	0.3910

Source: Van Zandt County Appraisal District

Notes: The City's basic property tax rate may be increased over the rollback rate only by a majority vote of the City's residents. Rates for debt service are based on each year's requirements.

* Overlapping rates are those of local and county governments that apply to property owners within the City of Canton

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City of Canton, Texas
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2016

Property Tax Payer	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Henry Lewis	\$ 13,287,970	1	4.78%
WalMart Real Estate Business Trust	6,290,880	2	2.26%
Brookshire Grocery Co	6,221,710	3	2.24%
Wal-Mart Stores Texas LP #827	5,841,870	4	2.10%
Texas NHI Investors LLC	5,427,310	5	1.95%
P D Bridwell Canton LP	4,689,650	6	1.69%
Kingdom Perspectives GP LTD	4,044,940	7	1.45%
Paul Michael	3,652,130	8	1.31%
Hagio Technologies LLC	3,490,280	9	1.25%
Zanbaka USA LLC	3,250,030	10	1.17%
Total	<u>\$ 56,196,770</u>		<u>20.21%</u>

Source: Van Zandt Appraisal District

City of Canton, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tax levy	\$ 938,869	\$ 1,012,035	\$ 1,076,450	\$ 1,125,108
Current tax collected	\$ 921,761	\$ 998,167	\$ 1,023,609	\$ 1,100,715
Percent of current tax collections	98.18%	98.63%	95.09%	97.83%
Delinquent tax collections	\$ 17,049	\$ 13,702	\$ 52,308	\$ 22,791
Total tax collections	\$ 938,810	\$ 1,011,869	\$ 1,075,917	\$ 1,123,506
Total collections as a percentage of levy	99.99%	99.98%	99.95%	99.86%

<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>	
\$	1,097,291	\$	1,098,067	\$	1,109,162	\$	1,096,549	\$	1,128,605	\$	1,150,626
\$	1,071,619	\$	1,075,976	\$	1,078,852	\$	1,084,478	\$	1,114,866	\$	1,137,972
	97.66%		98.0%		97.3%		98.9%		98.8%		98.9%
\$	23,604	\$	19,660	\$	27,389	\$	8,270	\$	6,780	\$	-
\$	1,095,223	\$	1,095,636	\$	1,106,241	\$	1,092,748	\$	1,121,646	\$	1,137,972
	99.81%		99.8%		99.7%		99.7%		99.4%		98.9%

City of Canton, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Tax Notes	\$ -	\$ 500,000	\$ 469,987	\$ 450,588
Certificates of obligation	828,623	2,110,325	2,005,330	1,891,550
Other obligations	80,684	47,328	398,348	339,044
Refunding bonds	2,810,000	2,460,000	1,990,000	1,515,000
Business-type activities:				
Certificates of obligation	\$ 1,656,347	\$ 1,559,676	\$ 1,459,671	\$ 1,363,450
Other obligations	314,449	190,007	26,315	-
Refunding bonds	725,000	575,000	420,000	260,000
Revenue bonds	-	-	-	1,045,000
Tax Notes	-	-	-	-
Total primary government	<u><u>\$ 6,415,103</u></u>	<u><u>\$ 7,442,336</u></u>	<u><u>\$ 6,769,651</u></u>	<u><u>\$ 6,864,632</u></u>
Percentage of personal income (1)	0.08%	0.06%	0.05%	0.04%
Per capita	\$ 26	\$ 19	\$ 15	\$ 12

(1) Personal income is disclosed on page 124

2011	2012	2013	2014	2015	2016
\$ 1,145,411	\$ 1,092,879	\$ 1,041,006	\$ 707,372	\$ 1,640,749	\$ 1,422,839
1,777,100	1,649,450	1,502,209	842,137	645,000	440,000
308,330	276,072	242,193	206,611	-	379,000
1,025,000	520,000	-	298,750	225,000	150,000
\$ 1,252,900	\$ 1,115,550	\$ 954,750	\$ -	\$ -	\$ -
-	-	-	-	-	-
95,000	-	-	896,250	675,000	450,000
1,010,000	2,970,000	2,904,426	2,786,819	2,625,000	2,505,000
-	-	-	-	1,234,250	1,202,159
<u>\$ 6,613,741</u>	<u>\$ 7,623,951</u>	<u>\$ 6,644,584</u>	<u>\$ 5,737,939</u>	<u>\$ 7,044,999</u>	<u>\$ 6,548,998</u>
0.02%	2.44%	8.32%	7.24%	8.11%	7.98%
\$ 8	\$ 868	\$ 1,856	\$ 1,569	\$ 1,926	\$ 1,790

City of Canton, Texas
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 260,257,660	\$ 243,234,892	\$ 253,145,298	\$ 286,782,684
NET BONDED DEBT				
Gross bonded debt	6,019,970	7,205,001	6,344,988	6,525,588
Less debt service funds	487,252	447,920	1,034,399	983,567
Net Bonded Debt	<u>\$ 5,532,718</u>	<u>\$ 6,757,081</u>	<u>\$ 5,310,589</u>	<u>\$ 5,542,021</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	0.02	0.03	0.02	0.02
POPULATION	5,147	5,147	5,147	5,147
NET BONDED DEBT PER CAPITA	\$ 1,075	\$ 1,313	\$ 1,032	\$ 1,077

Source: City staff

- (1) Van Zandt County Appraisal District
- (2) Schedule of Bonds Payable
- (3) Financial statement

2011	2012	2013	2014	2015	2016
\$ 262,165,440	\$ 261,839,458	\$ 264,125,726	\$ 264,571,594	\$ 271,683,067	\$ 278,132,006
6,305,411	7,347,879	6,402,391	4,942,273	3,525,000	3,105,000
975,670	1,000,514	988,269	1,137,087	1,167,949	1,180,676
<u>\$ 5,329,741</u>	<u>\$ 6,347,365</u>	<u>\$ 5,414,122</u>	<u>\$ 3,805,186</u>	<u>\$ 2,357,051</u>	<u>\$ 1,924,324</u>
0.02	0.02	0.02	0.01	0.01	0.01
3,581	3,581	3,581	3,658	3,658	3,658
\$ 1,488	\$ 1,773	\$ 1,512	\$ 1,040	\$ 644	\$ 526

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City of Canton, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2016

Governmental Unit	Debt	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Van Zandt County	5,969,000	11.51%	\$ 687,032
Canton Independent School District	32,739,152	51.63%	16,903,224
Subtotal, overlapping debt	<u>\$ 38,708,152</u>		<u>17,590,256</u>
City of Canton			<u>2,391,839</u>
Total direct and overlapping debt			<u>\$ 19,982,095</u>

Source: Van Zandt County Appraisal District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the overlapping government's total taxable assessed value.

City of Canton, Texas
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tax rate limit	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Current tax rate	0.3900	0.4252	0.4252	0.4252	0.4252
Legal debt margin	<u>\$ 2.1100</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>

(a) Texas Statutes do not impose a legal debt limit for cities; however, statutes limit the maximum amount a city can levy for all purposes to \$2.50 per \$100 of valuation

The debt limit is calculated as the remaining amount of taxes that can be assessed prior to reaching the \$2.50 per \$100 valuation threshold.

2012	2013	2014	2015	2016
\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
0.4252	0.4252	0.4203	0.4203	0.4203
\$ 2.0748	\$ 2.0748	\$ 2.0797	\$ 2.0797	\$ 2.0797

City of Canton, Texas
PLEDGED REVENUE COVERAGE
Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross revenues (water/sewer/sanitation)(1)	\$ 2,064,062	\$ 2,350,747	\$ 2,903,390	\$ 2,189,567
Operating expenses (2)	\$ 2,231,605	\$ 2,231,605	\$ 2,371,358	\$ 1,919,886
Net revenues available for Debt Service	\$ (167,543)	\$ 119,142	\$ 532,032	\$ 269,681
DEBT SERVICE REQUIREMENTS				
Principal	\$ 425,000	\$ 563,333	\$ 380,000	\$ 15,000
Interest	132,584	169,637	134,718	11,262
Total	<u>\$ 557,584</u>	<u>\$ 732,970</u>	<u>\$ 514,718</u>	<u>\$ 26,262</u>
Coverage	(0.30)	0.16	1.03	10.27

(1) Total revenues excluding interest and grants

(2) Total operating expenses less depreciation

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 2,534,539	\$ 2,625,861	\$ 2,576,073	\$ 2,590,905	\$ 2,651,792	\$ 2,406,135
\$ 2,430,445	\$ 1,746,992	\$ 1,918,310	\$ 1,750,905	\$ 1,916,405	\$ 2,122,710
\$ 104,094	\$ 878,869	\$ 657,763	\$ 840,000	\$ 735,387	\$ 283,425
\$ 35,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 45,000
44,410	42,923	41,223	39,523	37,823	34,423
<u>\$ 79,410</u>	<u>\$ 82,923</u>	<u>\$ 81,223</u>	<u>\$ 79,523</u>	<u>\$ 77,823</u>	<u>\$ 79,423</u>
1.31	10.60	8.10	10.56	9.45	3.57

City of Canton, Texas

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Population	5,147	5,147	5,147	5,147
Personal income	\$ 103,727,491	\$ 107,829,650	\$ 89,305,597	\$ 110,557,560
Per capita income	\$ 20,153	\$ 20,950	\$ 17,351	\$ 21,480
Average age	42	43	43	40
Grade School enrollment	908	956	942	948
Unemployment %	8.2%	7.2%	7.4%	7.2%

- Sources:**
- 1 City of Canton
 - 2 Canton Economic Development Corporation
 - 3 Canton ISD
 - 4 Texas Workforce Commission
 - 5 Per MPRG Inc estimation
 - 6 2012 Census
 - 7 2013 Census

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
3,581	3,581	3,581	3,658	3,658	3,658
\$ 72,751,596	\$ 65,782,970	\$ 79,874,205	\$ 79,294,275	\$ 86,816,592	\$ 82,095,460
\$ 20,316	\$ 18,370	\$ 22,305	\$ 22,305	\$ 24,264	\$ 25,052
42	39	39	42	37	45
926	980.0	980	994	1,022	2,118
8.0%	6.6%	5.6%	4.5%	4.4%	4.6%

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City of Canton, Texas

PRINCIPAL EMPLOYERS

September 30, 2016

Employer	Employees	Rank
Wal-Mart Supercenter	330	1
Canton I.S.D.	294	2
Van Zandt County	229	3
Canton Oaks (Senior Care & Rehab Facility)	93	4
Zanbaka USA (Duke's)	84	5
City of Canton	83	6
Brookshire's	75	7
Winning Strategies	73	8
EPIC Industrial, Inc.	50	9
CHRISTUS Trinity Mother Frances	49	10
Splash Kingdom (Seasonal)	49	11
Total	1,409	

Source: City Economic Development Corporation

City of Canton, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function / Program	2007	2008	2009	2010
General government	7	7	7	8
Public safety				
Police	18	18	19	19
Municipal court	2	2	2	2
Fire	3	4	5	7
Public works	11	11	11	5
Streets	2	2	3	5
Parks and Recreation	2	2	5	3
Animal Control	3	3	3	2
Utility Administration	2	2	2	2
Water, Wastewater	10	9	9	9
First Monday	15	15	12	18
Total	75	74	76	80

Source: City staff

2011	2012	2013	2014	2015	2016
9	9	9	9	8	7
19	19	19	19	19	19
2	2	2	2	2	2
7	7	7	7	8	8
5	6	6	6	7	7
5	5	5	5	5	6
3	3	3	4	4	5
2	2	2	2	3	3
2	2	2	2	2	2
9	9	9	10	7	7
17	18	18	19	18	18
80	82	82	84	82	83

City of Canton, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010
Police				
Number of police officers	13	13	13	13
Number of violations (citations)	1,731	1,505	1,811	1,488
Fire				
Number of firefighters	20	21	23	20
Number of fire service runs	96	164	105	NA
Number of Medical assist runs	173	199	606	NA
Development Services				
Construction permits issued ¹	170	206	255	210
Estimated valuation ¹	1,543,844	3,313,192	4,603,990	3,493,399
Public Works				
Streets paved (miles)	26	26	26	26
Parks and Recreation				
Park land and municipal acreage maintained	236	236	257	257
Water and Wastewater				
Number of water customers	1,983	2,043	1,988	2,016
Average daily water consumption (millions of gallons)	1	1	1	1
Maximum storage capacity (millions of gallons)	1	1	1	1
Solid Waste				
Solid waste collected (tons)	5,000	5,000	5,000	5,000

Source: City Departments

¹Includes residential, commercial, and miscellaneous (e.g., pools, fences) permits

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
13	13	13	13	13	13
1,610	1,286	1,578	1,859	1,332	1,615
19	15	15	14	14	12
80	52	132	342	284	365
398	457	624	1,064	1,227	1,042
47	192	311	346	367	319
6,088,662	2,863,932	11,457,266	15,827,694	5,883,167	6,746,274
26	26	26	26	26	26
257	257	257	257	257	257
2,045	2,106	2,172	2,156	2,208	2,221
1	1	1	1	1	1
1	1	1	1	1.5	1.5
5,000	5,000	5,000	5,000	5,000	5,000

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City of Canton, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	10	10	10	10	10	10	13
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets-Paved (miles)	26	26	26	26	26	26	26	26	26	26
Street Lights	501	501	501	501	501	501	501	501	501	501
Parks and Recreation										
Park Acreage	150	150	150	150	150	150	150	150	150	150
Public Parks	3	3	3	3	3	3	3	3	3	3
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Soccer Fields	5	5	5	5	5	5	5	5	5	5
Baseball Fields	7	7	7	7	7	7	7	7	7	7
Library	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water Mains (miles)	47	47	49	49	49	49	49	49	50	50
Fire Hydrants	231	231	245	245	245	245	245	245	245	245
Storm Sewers (miles)	1	1	1	1	1	1	1	1	1	1
Sanitary Sewers (miles)	39	39	45	45	45	45	45	45	45	45
First Monday (acres)	100	100	100	100	100	100	100	100	100	100

Source: City Departments

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